



KONGSBERG

2ND QUARTER 2017

INVESTOR PRESENTATION, 24 AUGUST 2017

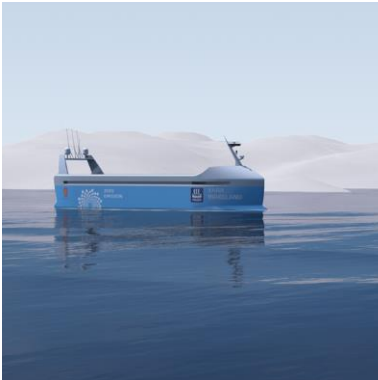
Geir Håøy, President & CEO

Harald Aarø, Acting CFO





ADAPTING, DELIVERING & POSITIONING



- Adaptation to challenging markets continue
 - Challenging offshore market drives revenue decline
 - Further cost reductions initiated
- Solid operations
 - All major projects on plan across the group
 - Profitable maritime operations
 - Good working capital improvements, strong cash flow
- Positioning for future growth
 - New, innovative solutions for the maritime market gaining traction
 - Significant international interest for several core defence products
 - Well positioned for several large programs – order backlog expected to increase over the next quarters

Revenues:
3 733

EBITDA:
207

New orders:
2 535

FINANCIAL STATUS



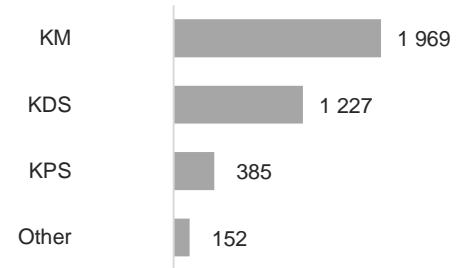
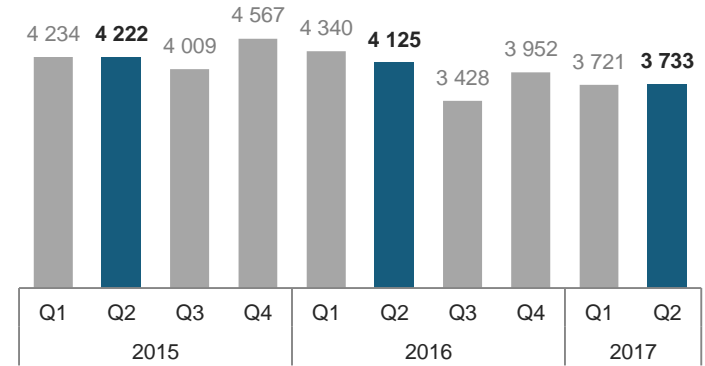
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REVENUES Q2

Q2 revenues down 9.5 % YoY due to the continuing weak offshore market

- KM revenues down 14.2 %
- KDS revenues up 12.7 %
- KPS revenues down 18.4 %

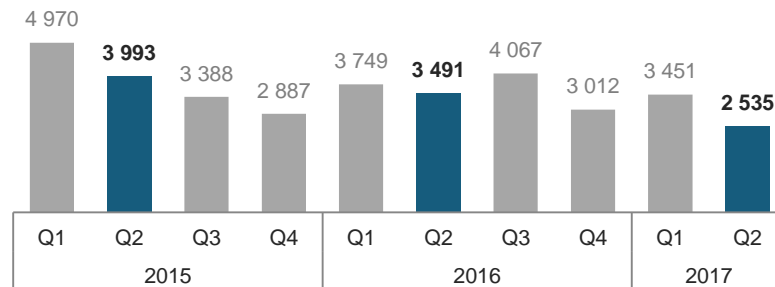


ORDERS Q2

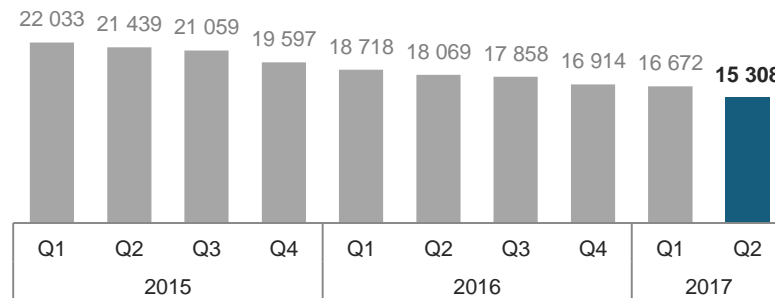


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New orders:
2 535



Backlog:
15 308

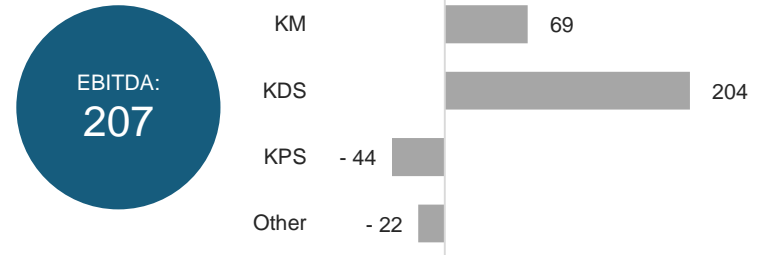
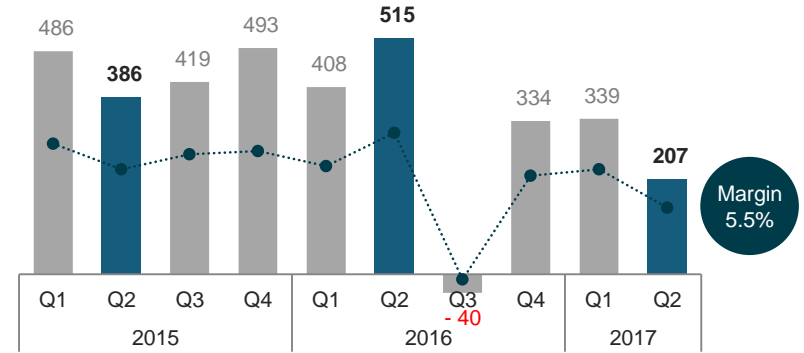




EBITDA Q2

Q2 EBITDA – strong in KDS, but negatively impacted by special items in KM and KPS

- EBITDA margin 5.5 % compared to 12.5 % in Q2 2016
 - MNOK 128 in net negative effects from special items
 - Q2 2016 positively impacted by MNOK 54 related to sale of shares
- KM restructuring programs develops on plan. EBITDA impacted by MNOK 68 related to restructuring
- Continued solid EBITDA in KDS. Share of profit in Patria MNOK 36 lower compared to Q2 2016
- Negative EBITDA in KPS due to net negative effects of MNOK 60 related to currency and released provisions



SPECIAL ITEMS IN EBITDA Q2 AND H1

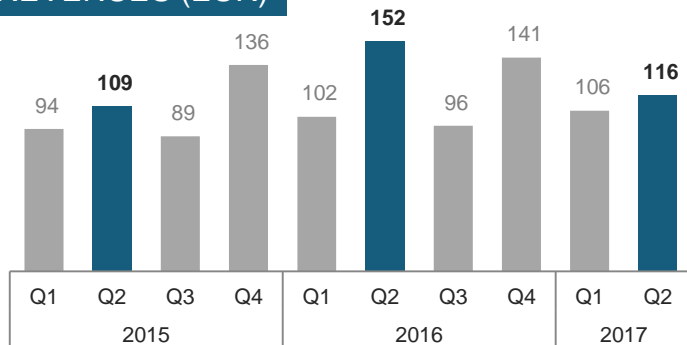


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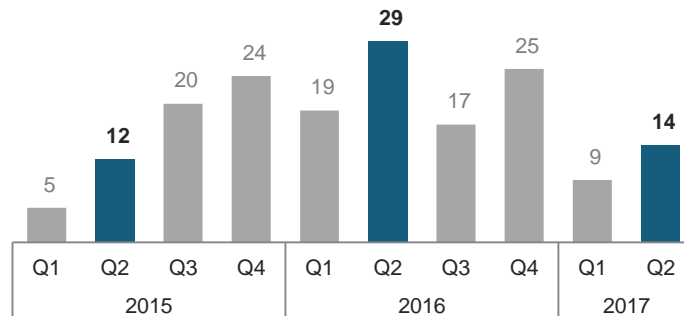
	Q2	H1
Restructuring costs (KM)	-68	-79
Buy-back of FX hedges + released provisions (KPS)	-60	-60
Total¹	-128	-139

1) List is not exhaustive

REVENUES (EUR)



EBITDA (EUR)



BRIDGE FROM EBITDA TO KOG'S SHARE OF NET PROFIT	Q2		YTD	
	EUR	NOK	EUR	NOK
EBITDA	14		23	
Financial items, taxes, depreciation and amortisation	-5		-11	
Earnings after tax	9		12	
KONGSBERG's share (49.9%) ¹⁾		36		46
Amortisation of excess value after tax		-12		-24
Share of net income recognized in KDS for the period		24		22

¹⁾ Share of Patria's net income after tax adjusted for minority interests.



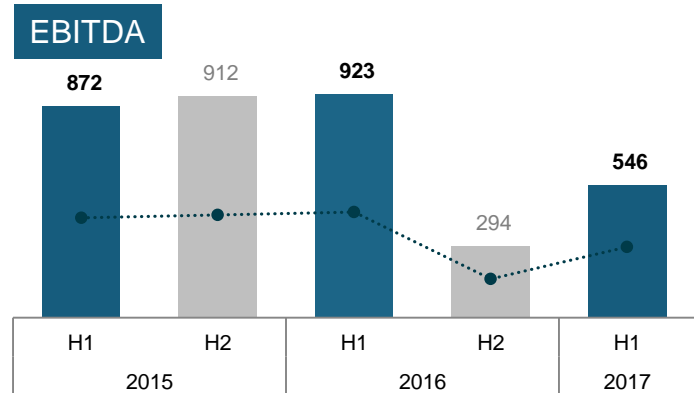
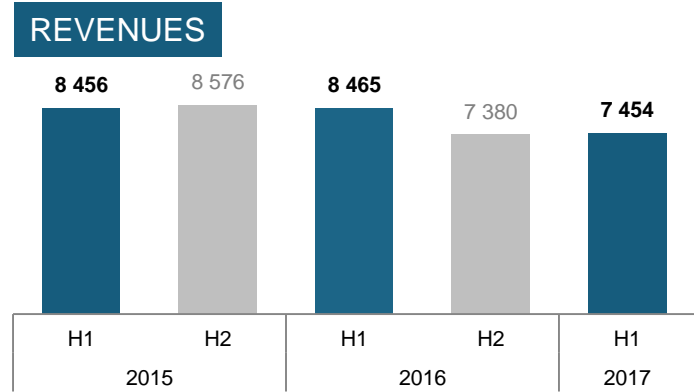
REVENUES AND EBITDA H1

Growth in KDS, decline in KM and KPS

- KDS revenues up 15.5 %, overall solid development
- KM revenues down 15.5%, mainly related to the continued weak oil and gas market
- KPS revenues down 20.1 %, mainly due to lower deliveries of new remote weapon stations

H1 EBITDA negatively impacted by special items

- NOK 139 millions negative effects on EBITDA from special items
 - MNOK 79 in KM
 - MNOK 60 in KPS
- Weaker EBITDA in KM mainly due to lower activity level, margin pressure, changed project mix, restructuring costs
- KDS up 8.9 % – Higher activity level and good project execution. Patria contribution MNOK 38 lower compared to H1 2016
- KPS EBITDA excluding special items on par with previous five quarters



OPERATIONAL PROGRAM – COST REDUCTIONS

Adapting to challenging markets, positioning for future growth

- MNOK ~500 full-year cost base reductions in effect from Q1 2017
- Additional MNOK 300-400 from Q2 2017 downsizing, full year effect from Q1 2018
- Number of employees and consultants reduced by >1,000 since 2015

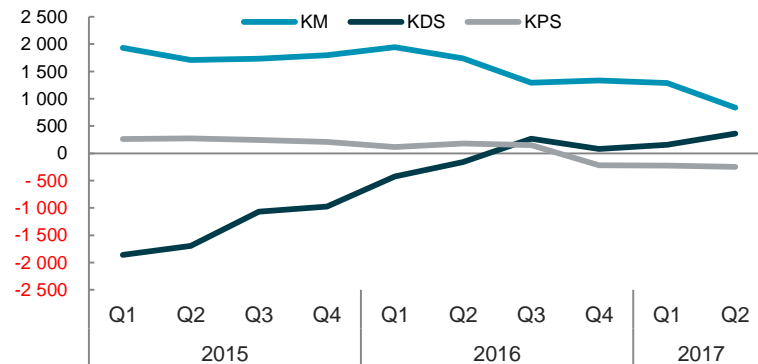
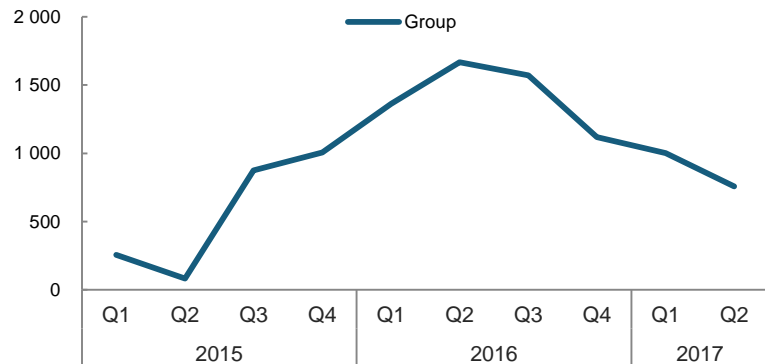
- Regionalization – increased cross-office collaboration and optimized resource utilization
- Clearer prioritization and strategies for product and development
- Supply chain – value chain optimization and stronger global governance
- Stronger central governance through the functional line

- Restructuring costs incurred last 2.5 years MNOK ~250



OPERATIONAL PROGRAM – WORKING CAPITAL

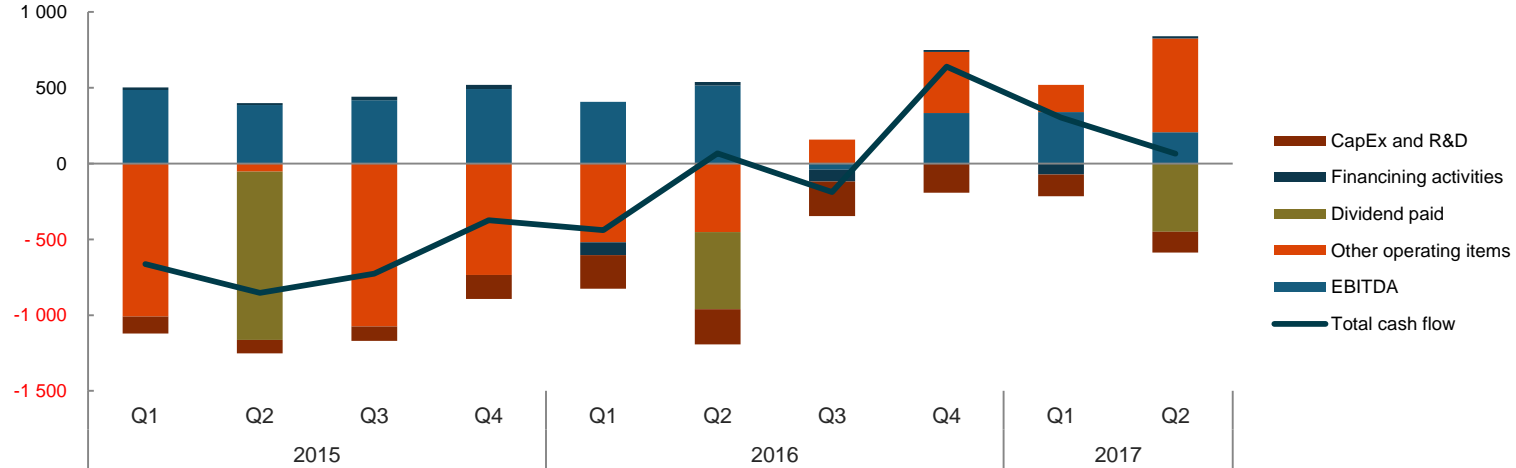
Working capital excl. currency rollover effects



- Continuous strong focus on efficient working capital across the group
 - KM's working capital is reduced by more than BNOK 1 since Q1 2016
 - Improved cash conversion cycle
- Defence projects on plan – consuming advance payments



IMPROVED OPERATIONAL CASH FLOW



*Line represents total cash flow. Columns exclude acquisitions and loan movements for better readability.



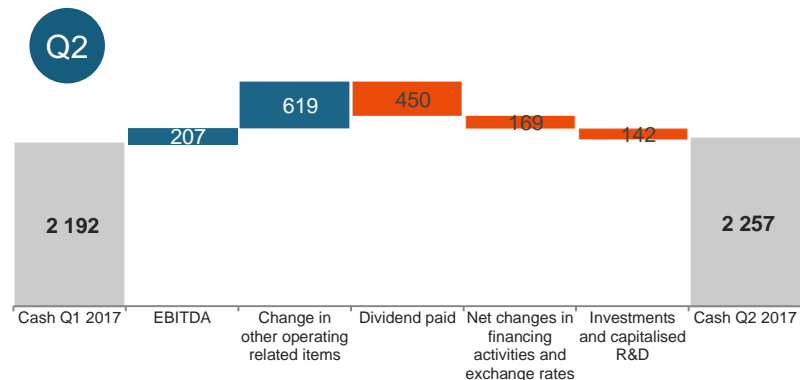
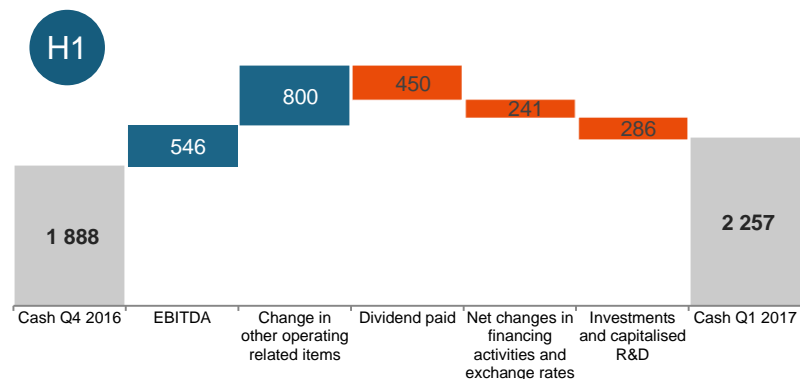
CASH FLOW AND NET DEBT Q2 AND H1

Operating cash flow MNOK 826 in Q2,
MNOK 1,346 year to date

- Working capital reduced by MNOK 761 in H1
 - MNOK ~600 reduction in KM
- In Q2, MNOK 450 in ordinary dividend paid out and debt reduced by MNOK 184

	Q2 2017	Q1 2017	2016
Gross interest bearing debt	3 899	4 090	4 083
Cash and short-term deposits	2 257	2 192	1 888
Net interest bearing debt	1 642	1 898	2 195
Equity ratio	32,4 %	32,1 %	31,7 %
ROACE*	3,1 %	5,8 %	6,9 %

* 12 months rolling EBIT divided by 12 month average equity and interest bearing debt



BUSINESS UPDATE



KONGSBERG

KONGSBERG MARITIME



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SECURING COMPETITIVE POSITION IN CORE MARKETS

- Adapting the business to a challenging market
- Operational programs securing profitability and cash
- Deliver the same high quality as before

TAKING POSITIONS WITHIN NEW MARITIME TRENDS

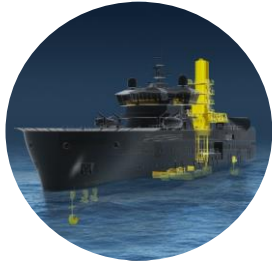
- Taking new positions with innovative solutions
 - Integrated solutions - Triangle
 - Digitalization
 - Remote Services
 - Autonomy
- Contracts signed in all of the above areas in 2017

Q2 2017	
Operating revenues	1 969
EBITDA	69
New orders	1 813
Order backlog	5 197

ORDER BACKLOG, DELIVERY TIME	
Rest of 2017	46 %
2018	35 %
2019 and forward	19 %

*Life-cycle business and framework agreements not converted into delivery contracts are not included in the backlog

TAKING POSITIONS IN MARITIME TRANSFORMATION



INTEGRATED SOLUTIONS

Full Triangle-solution to German research vessel

“Walk to work” for Olympic Shipping

“Fish Master” solution for Havyard/France Pelagique



DIGITALIZATION

“SESAME Strait” connecting harbor and ship operation digitally

100 information management system installations for vessel owners and charterers in the LNG sector



REMOTE SERVICES

KONGSBERG's 24/7 “Follow the Sun” remote operations center – more than 400 vessels equipped with remote services capability, increasing demand for remote support

Initiated remote operation of “MV Gunnerus” research vessel



AUTONOMY

“Yara Birkeland” with Yara

“Hrönn” with Automated Ships Ltd and Bourbon

7 development programs

KONGSBERG DEFENCE SYSTEMS



KONGSBERG



GOOD PERFORMANCE, STRONG MARGINS

- Continued solid project execution
- Improved YoY profitability in both Integrated Defence Systems, Defence Communications and Space & Surveillance

ONGOING PROJECTS IN ALL PHASES

- Large projects progressing as planned
 - NASAMS to Raytheon
 - F-35 deliveries
 - JSM development

SEVERAL SIGNIFICANT OPPORTUNITIES AHEAD

- Positioned for several major opportunities over the next years
 - Norway (Submarine Combat Systems, JSM)
 - Australia (NASAMS, JSM)
 - Germany (NSM, Submarine Combat Systems)
 - USA (NSM, F-35)
 - Malaysia (NSM)
 - In addition: Several major opportunities not yet disclosed

Q2 2017	
Operating revenues	1 227
EBITDA	204
New orders	411
Order backlog	6 579

ORDER BACKLOG, DELIVERY TIME	
Rest of 2017	26 %
2018	42 %
2019 and forward	32 %
*Framework agreements not converted into delivery contracts are not included in the backlog	

KONGSBERG PROTECH SYSTEMS



GOOD PROJECT EXECUTION

- KPS is the world #1 provider of remote weapon stations
- Project execution on plan
- MCT-30 deliveries to Stryker on plan

REVENUE AND EBITDA STILL AT A LOW LEVEL

- Revenues driven by life-cycle business
- Low delivery volumes for new remote weapon stations in 2017

WELL POSITIONED FOR SIGNIFICANT OPPORTUNITIES

- Several large opportunities
 - Remote weapon stations
 - Medium caliber turret (MCT-30)
 - Expanded product range

Q2 2017

Operating revenues	385
EBITDA	-44
New orders	157
Order backlog	2 602

ORDER BACKLOG, DELIVERY TIME

Rest of 2017	47 %
2018	29 %
2019 and forward	24 %

*Framework agreements not converted into delivery contracts are not included in the backlog

PATRIA



KONGSBERG

Patria delivers according to plan

- Performance expected to catch up towards year-end
- Patria has recently announced adjustments to the organization to streamline and further strengthen the business
 - An important step towards achieving Patria's business goals and strategic targets



Photo: Patria



REFLECTIONS AFTER ONE YEAR AS CEO

MARITIME MARKETS

- Declining demand
- Changes in customer behavior
- Intensified competition
- New technology trends

DEFENCE OPPORTUNITIES

- Position and international interest confirmed
- Large campaigns – challenging, but with huge possible rewards



ORGANISATION RESPONDS

- Agile, dynamic and highly adaptable
 - Executing a major reorganization in short time
 - Seizing opportunities, “punching above our weight”

CONTINUING INNOVATION

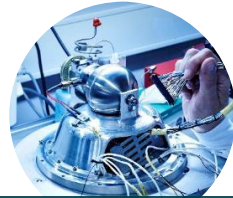
- Strong core technology platform
- Taking positions with new technology
- Utilizing partnerships



ADAPTING
DELIVERING
POSITIONING



DETERMINED



INNOVATIVE



COLLABORATIVE



RELIABLE

INVITATION TO CAPITAL MARKETS DAY



KONGSBERG

Time: 26 October 2017 10.00–15.00
Venue: Thon Conference Vika Atrium, Oslo
Sign up: By 23 October on www.kongsberg.com/ir

CAPITAL MARKETS DAY AGENDA

10.00–10.30 3rd quarter presentation
10.30–15.00 Strategy and business update (with lunch)



OUTLOOK



KONGSBERG



2017 OUTLOOK

KONGSBERG MARITIME

- Weak offshore market expected to continue
- Adaptation of cost base and operations on plan
- Revenues expected to decline compared to 2016

KONGSBERG DEFENCE SYSTEMS

- Strong position in selected niches and several important opportunities in a generally stronger defence market
- Several events so far in 2017 confirms KDS' strong position and growth opportunities
- Some revenue growth expected in 2017

KONGSBERG PROTECH SYSTEMS

- Global leader in remote weapon systems with a well positioned product portfolio
- Long-term potential continues to be strong
- Some increase in revenues in second half is expected, but no growth for 2017 as a whole compared to 2016

OTHER

- Main focus for KDI in 2017 is to build and develop the business

See quarterly report for full text

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THROUGH PEOPLE, TECHNOLOGY AND DEDICATION